

Message Text

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ACTION AID-05

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-07 TRSE-00 OMB-01 IGA-01

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10 /090 W

----- 117234

R 281012Z AUG 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 5154

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY CANBERRA

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

C O N F I D E N T I A L VIENTIANE 5409

MANILA FOR USADB

E.O. 11652: GDS

TAGS: PFOR, EAID

0), US, ADB

SUBJ: US PARTICIPATION IN NAM NGUM PHASE II

REF: A) STATE 204582

B. BONN 13905

1. U.S. WITHDRAWAL FROM NAM NGUM PHASE II WILL NOT HELP OUR RELATIONS WITH PGNU, BUT PROBABLY WILL NOT SIGNIFICANTLY DAMAGE THEM EITHER. PGNU'S SPOKESMAN'S REMARKS TWO WEEKS AGO (VIENTIANE 5227, NOTAL) WOULD INDICATE THAT CABINET HAD (PREMATURELY) CONCLUDED WE WERE ALREADY OUT OF PROJECT. IN ANY CASE, WE DO NOT BELIEVE U.S.-LAO RELATIONS SHOULD BE DETERMINING FACTOR IN USG DECISION; WE WOULD BE UNLIKELY TO GET MUCH CREDIT FROM PGNU EVEN IF WE WERE TO CONTINUE PROJECT. IN ADDITION, TO TURN
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OVER 5 MILLION DOLLARS FOR LAO PROJECT AT THIS STAGE,

WHEN OTHER AID TO LAOS SUSPENDED AND QUESTION OF FUTURE
U.S. ASSISTANCE TO LAOS UNDER REVIEW, MIGHT GIVE PGNU
WRONG IMPRESSION OF U.S. INTENTIONS.

2. ASSUMING DEPARTMENT HAS SOLVED QUESTION OF LEGALITY
OF WITHDRAWAL OF U.S. FUNDS AND HAS CONSIDERED ANY
NEGATIVE EFFECT U.S. WITHDRAWAL COULD HAVE ON OUR POSI-
TION IN ADB AND IN OUR RELATIONS WITH OTHER DONORS,
AND WITH THAILAND AS POTENTIAL CONSUMER, WE WOULD HAVE
NO OBJECTION TO A WASHINGTON DECISION TO CANCELLING
OUR PARTICIPATION IN THIS PROJECT. OUR PRINCIPAL CON-
CERN WOULD BE TO HANDLE ANNOUNCEMENT OF OUR WITHDRAWAL
FROM PROJECT IN AS LOW-KEY A MANNER AS POSSIBLE. WE
WOULD RECOMMEND THAT WE NOT ANNOUNCE OUR DECISION UNTIL
OR AFTER THE DONORS' MEETING IN MANILA NEXT MONTH.
AT THAT TIME, USADB COULD INFORM LAO REPRESENTATIVES
AND DONORS OF OUR DECISION TO WITHDRAW FROM PROJECT.
IF QUERIED, WE WOULD TELL FOREIGN MINISTRY THAT WE
WERE WITHDRAWING FROM PROJECT. WE WOULD GIVE SAME
RATIONALE AS WE USED IN PAST NOTES ON FURTHER U.S. AID
TO LAOS; I.E., THAT PGNU HAD UNILATERALLY ABROGATED
1951 ECONOMIC ASSISTANCE AGREEMENT AND ASKED THAT
ASSISTANCE PROGRAM BE WITHDRAWN FROM LAOS.

3. AT SAME TIME WE TRUST USG WILL DO NOTHING TO DIS-
COURAGE OTHER DONORS FROM GOING AHEAD WITH PROJECT IF
THEY SO DESIRE. WE DO NOT WISH TO BE PERCEIVED AS
ATTEMPTING TO KILL PROJECT, BUT AS MAKING BILATERAL
DECISION AFFECTING ONLY U.S. AID TO LAOS. IN THIS
LIGHT, IF PROJECT IS CONTINUED WITH AID FROM FRG TO
COVER GENERATOR CONTRACT AND FROM ORIGINAL DONORS TO
MEET COST OVERRUN, THERE SHOULD BE LESS RECRIMINATION
ABOUT OUR WITHDRAWAL.

4. THERE APPEARS TO BE CONSIDERABLE FRG CAPITAL FUND-
ING POTENTIALLY AVAILABLE. NEW FRG CHARGE IN AUGUST
28 CONVERSATION CONFIRMED OUR PREVIOUS UNDERSTANDING
THAT, OF CY 74 RPT 74 CAPITAL AID FUND OF DM 15 MILLION
FOR WHICH AGREEMENT WAS SIGNED ONLY ON JULY 14, 1975,
ONLY A PORTION HAS SO FAR BEEN COMMITTED (FOR ERECTION
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OF POWER-LINES AS PART OF VIENTIANE ELECTRIFICATION
PROJECT). FRG CHARGE ADDED THAT AN ADDITIONAL
DM 10 MILLION CONTRIBUTION FOR CY 75 IS IN THE WORKS.
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